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Horticultural Products Review

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EXPORT SUMMARY

U.S. export of horticultural products to offshore destinations (destinations other than Canada*) were \$328 million in October, \$14 million above the same month a year earlier. Details of U.S. horticultural trade for October will be published in the January Horticultural Products Review (see below).

ANNOUNCEMENT

The 1989 release schedule for the Foreign Agricultural Circular, Horticultural Products Review, has been adjusted to accomodate the later availability of U.S. trade statistics from the U.S. Bureau of the Census. The January 1989 Circular, to be released January 9, will contain the import and export statistics for October 1988. All subsequent circulars will carry monthly trade statistics for 3 months previous to the month of release of the circular. The release dates for 1989 are:

January 9	July 5
February 1	August 2
March 1	September 6
April 5	October 4
May 3	November 1
June 7	December 6

(*Canada is excluded because U.S. export data to Canadian destinations are not accurate. Many export shipments to Canada are not counted.)

For further information on items in this circular, contact the Horticultural and Tropical Products Division, (202) 447-6590. All measures not otherwise noted are metric. One kilogram (kg) = 2.2046 lbs., 1 metric ton = 2,204.62 lbs., 1 liter = 0.2642 gallon, 1 hectoliter = 26.42 gallons, 1 hectare (ha) = 2.471 acres.

Approved by the World Agricultural Outlook Board - USDA

General Developments

--The United States and the European Community (EC) have finally cleared all stumbling blocks to the implementation of the citrus agreement reached in September 1986. The final road block was a dispute over the reclassification of olive imports as part of the U.S. implementation of the Harmonized Tariff System, scheduled to take effect January 1, 1989. All of the provisions of the citrus agreement are expected to come into effect on January 1, 1989; although, as of mid-December no official announcement had been made by the European Community.

The EC already has put the following concessions into place:

-The duty on sweet oranges (high-quality) was reduced from 20 and 13 percent to 10 percent for 20,000 tons entered in February through April.

-The duty on Minneola tangelos was reduced from 20 percent to 2 percent for 15,000 tons entered in February through April.

-The duty on frozen concentrated orange juice (FCOJ) was reduced from 19 percent to 13 percent for 1,500 tons of concentrate at 50 degrees brix or less packed in 2 liter or smaller containers.

It is anticipated the EC will put the following concessions into place on January 1, 1989:

-The duty on lemons will be reduced from 8 percent to 6 percent for 6,000 tons entered from January 15 through June 14.

-The duty on grapefruit will be reduced from 3 percent to 1.5 percent during November to April.

-The duty on roasted peanuts will be reduced from 14 percent to 12 percent for packages over 1 kilogram, and from 16 percent to 14 percent for packages of 1 kilogram or less.

-The duty on almonds will be reduced from 7 to 2 percent for the first 45,000 tons entered annually (see "Dried Fruit and Tree Nut" Section for further details).

In an attempt to soften the impact of these tariff reductions on citrus and tree nut producers in Spain and Portugal, the EC also plans to accelerate the removal of the tariffs on almonds, filberts, and Minneolas imported into the EC-10 from those two countries. As part of the accession of Spain and Portugal into the EC, which began in 1986, EC-10 tariffs on imports from the two new members are being eliminated gradually over a ten-year period. The EC now, however, intends to eliminate the import tariffs on these three products at the same time the citrus agreement is fully implemented.

As part of the U.S.-EC citrus agreement the United States will reduce tariffs on several items of interest to the EC including certain cheeses, table olives, olive oil, canned mandarin oranges, capers, and anchovies. Details of these concessions appear in the September 1986 Horticultural Products Review.

--Japan plans to lift the plant quarantine ban on imports of Spanish lemons and New Zealand nectarines. At a public hearing held November 8, five of six industry representatives which made comments came out in favor of lifting the ban. Consequently, the Japanese Ministry of Agriculture, Forestry, and Fisheries is expected to formally approve imports of these commodities, with the appropriate treatment conditions, by the end of 1988.

--Fruit and vegetable exports to Hong Kong from China's coastal areas, especially those in the Pearl River Delta between Guangzhou and Hong Kong, have made farmers in this region quite well off. Among products sent are garlic, turnips, cabbages, and gourds. There is also a nascent market for frozen vegetables. Growing fruits and vegetables for export is so profitable that many farmers in this area plant all their land in these products, and fulfill grain quota requirements by purchasing grain at a higher "negotiated" price from farmers in other counties or even other provinces. Pressure has been brought to bear on these farmers to plant more grain, but the effect on fruit and vegetable exports remains to be seen.

Citrus and Products

--The Government of Japan announced an additional import quota for 2,000 metric tons of orange juice concentrate (5:1 basis) for the Japanese fiscal year April 1988-March 1989. This brings the total allocations for the year to 15,000 tons, the quantity agreed upon under the U.S.-Japan Beef and Citrus Agreement. While Brazil continues to be the leading supplier of orange juice concentrate to Japan, shipments from the United States have been increasing. During the period January-October 1988 the United States held 27 percent of the import volume, up from 7 percent in 1986 and 10 percent last year.

--Taiwan's grapefruit growers are petitioning the Taiwan Council of Agriculture to limit imports of U.S. grapefruit, according to local newspaper reports. Imports of grapefruit by Taiwan increased from 6,949 tons in 1986 to 14,730 tons in 1987. During the first eight months of 1988, Taiwan grapefruit imports totaled 28,815 tons. According to Taiwan Customs statistics, the United States supplied 99 percent of all grapefruit imports in 1988. Taiwan's growers contend that their authorities have the obligation to regulate grapefruit imports in order to maintain grower income levels. Although no official figures exist for 1988, total planted grapefruit area is believed to be close to 720 hectares with a harvest of approximately 8,000 tons.

--Oranges rank number one in the Singapore market. Nearly all fruit consumed in Singapore is imported. During calendar 1987, Singapore imported 45,205 tons of oranges with 9,278 being re-exported to other Asian markets. The second most popular fruit category in Singapore consists of bananas and plantains with a 1987 net import total of 30,185 tons. Most imported oranges are eaten as fresh fruit, although fresh-squeezed orange juice is becoming increasingly popular in retail outlets. More than 40 percent of total Singapore orange imports in 1987 were supplied by the United States. The primary competitor for orange sales in Singapore is Australia, accounting for nearly one-fourth of total purchases.

--Orange production in the Brazilian State of Sao Paulo for the 1988/89 season is forecast at 215 million boxes (90 pounds), 10 million boxes below USDA's previously released figure and 5 million boxes below a year earlier. The current downward adjustment in the crop forecast reflects the impact of dry weather experienced in major growing areas July through mid-October. In contrast, earlier revisions to the 1988/89 forecast had been based on the projected negative effects of last year's dry weather at the time of the first flowering. The volume of fruit to be processed in Sao Paulo in 1988/89 now is forecast at 180 million boxes, the same as in 1987/88. Sao Paulo's production of frozen concentrated orange juice in 1988/89 is forecast at 680,000 tons at 65 degree brix (234.5 million gallons at 42 degree brix). Production of orange juice in other Brazilian States in 1988/89 is not likely to exceed 15,000 tons. Orange juice exports by Sao Paulo during marketing year July 1988-June 1989 are projected to decline to 630,000 tons compared to 718,000 tons in 1987/88.

Fresh Non-Citrus

--On November 30, the Swedish Parliament passed legislation giving the Cabinet power to liberalize the import restrictions for apples and pears. This action came after a year of negotiations between Sweden and the United States aimed at removing Sweden's import opening date system for these commodities. In the past, Sweden closed its market to imported apples and pears prior to consumption of the domestic crop. The new tariff law will eliminate all seasonal import restrictions by 1990.

Sweden agreed to allow unrestricted imports of pears for 1988 no later than November 15, and of apples no later than December 15. Pear imports were opened on November 4. For 1989, the opening date for imports of both apples and pears must occur before November 15; in subsequent years imports will be unrestricted year-round. The tariff schedule has been amended to provide higher duties for lower priced apples and pears arriving early in the season. The duty on higher priced fruit, such as that grown in the United States, remains the same. The new duties are as follows:

Apples

August 1 to January 23:

Import c.i.f. Price (Kroner/kg) ^{1/}	Tariff (Kroner/kg)
3.51 and higher	0.25
2.76 to 3.50	1.00
2.01 to 2.75	1.75
2.00 and lower	2.50

January 24 to July 31: Duty Free

Pears

August 1 to October 31: Same levels as apples.

November 1 to July 31: Duty Free.

^{1/} One U.S. dollar was equal to 6.04 Swedish Kroner (SEK) on December 8, 1988. SEK 0.25 per kilogram was thus equal to \$0.78 per 42-lb. carton.

The United States exported 12,381 metric tons of apples and 8,959 tons of pears to Sweden in 1987/88, with a total value of \$7 million (includes some fruit which was destined for Finland). In the early part of the season, the major competition to U.S. fruit in the Swedish market comes from the EC, which has the advantage of much lower transportation costs and an export subsidy of 4.50 ECU per 100 kilograms (\$1.03 per 42-lb. carton).

The Swedish Association of Horticultural Producers projects that the liberalization of the apple market will mean a 25-percent reduction in domestic production as less efficient orchards planted before 1970 will be removed from production. These older orchards account for 60 percent of the apple acreage in Sweden but only 25 percent of production.

--The EC increased the preventive withdrawals for apples by 46,800 metric tons to a total of 400,000 tons. This increase was based on an upward revision of the estimate of the 1988 apple crop. For details on the preventive withdrawal program see the October 1988 Horticultural Products Review.

--The Government of France has canceled its request for U.S. fruit inspectors for December 1988. The inspectors were scheduled to work in Port Vendres, France, on the pre-clearance of apple and pear shipments bound for the United States. This cancellation of the pre-clearance program halts all exports of French apples and pears to the United States until January when a new group of inspectors is scheduled to arrive in Port Vendres. Inspectors have been in place during November, and have cleared 63,882 cartons of apples and 5,082 cartons of pears, resulting in approximately 1,350 tons of fruit being shipped to the United States. The French hope to ship an additional 2,000 tons of fruit during January 1989. The reasons given for the halting of shipments during December were: the falling dollar; the large U.S. apple crop this year (actually the crop is smaller than last year); French exporters' inability to find a certified vessel for shipment; and a lack of interest in exporting on the part of French growers.

--Norway has announced 1988 import opening dates of December 20 for apples and December 12 for pears. The open period for apples will last until April 30, 1989, after which imports will be licensed as the supply situation demands. The open period for pears will last until August 11, 1989. Prior to the open period for apples, a supplementary import quota totaling 8,000 tons was issued for the period December 1 through 19, 1988.

--The Canadian Agriculture Minister announced that peach, prune, and pear growers in British Columbia will receive Can\$4.3 million as part of Canada's Agricultural Stabilization Act. The Ministry cited weak market prices brought on by abundant North American crops as the justification for designation of these crops under the Act. For their 1987's crops, B.C. growers will receive Can\$0.23 per kilogram for peaches, Can\$0.12/kg for prunes, and Can\$0.10/kg for pears. The payments represent the difference between actual 1987 realized market returns for these commodities and the calculated support prices. The support prices for designated crops are based on 90 percent of the previous five-year average market price, adjusted for changes in the cash cost of production (Can\$ indicates Canadian dollars; \$1.00=Can\$1.19).

Dried Fruit and Treenuts

--The EC has set up a country by country allocation of the 45,000 metric-ton reduced duty quota for almond imports. Starting January 1, 1989, 54 percent of the annual allocation of 45,000 tons of almonds allowed in at the reduced tariff rate will be allocated to the individual member countries with the remainder going into a general reserve. If a country draws 80 percent of the general reserve, unused quotas from the other individual countries are reallocated to the general reserve. The country allocations, in metric tons, are as follows: Belgium/Luxembourg, 2,153; Denmark, 705; France 4,690; Greece, 177; Ireland 15; Italy, 822; Portugal, 2; Spain, 340; United Kingdom, 3,200; West Germany, 12,196. As per the update in the "General Development" Section of this circular, the duty on this 45,000-ton quota is scheduled to go from 7 to 2 percent on January 1, 1989. EC imports of almonds from third countries totaled 66,511 tons in 1986 and 59,305 tons in 1987. The United States supplied 94 percent and 96 percent respectively, of these imports.

--The U.S. Department of Agriculture authorized \$400,000 in credit guarantees for sales of U.S. shelled almonds to Hungary for fiscal year 1989, under the Commodity Credit Corporation's (CCC) Export Guarantee Program (GSM-102). To be eligible for the program, all sales must be registered by September 30, 1989, and exported by December 31, 1989. Further information is available through the Export Credits Branch of the Foreign Agricultural Service, (202) 447-3224.

Other Processed Fruits

--The Chinese Government is concentrating considerable effort on developing its processed foods industry. Though this industry is being developed with at least half an eye to export opportunities, it is believed that most of the production from new or expanded facilities will be consumed in the domestic market. Rising incomes among urban workers have led to rapidly increasing demand for convenience foods, including canned fruit. According to Chinese sources, the output value of China's food processing industry is expected to rise 30% this year over 1987. Output is expected to continue rising at an annual rate of 10 percent in subsequent years.

--The EC has amended its regulation on the minimum import price of cherries in syrup to include products in intermediate wrappings and has set a monetary coefficient for adjusting the minimum price in national currency. The coefficient was introduced to prevent trade distortions between Member States.

Vegetables

--Kagome, the largest tomato processing company in Japan, recently announced the establishment of a California processing plant for the manufacture of tomato products and fruit juices. Most, if not all of the manufactured product is expected to be shipped to Japan, taking advantage of the import liberalization for tomato and fruit drink products under the GATT-12 agreement (see Horticultural Products Review, August 1988, page 2). Kagome's product line will include institutional size tomato ketchup and retail size fruit juice beverages. The plant is expected to open in the spring of 1990.

In the case of tomato ketchup, the company's plan is to purchase tomato paste as raw material from local manufacturers on a long-term contract basis rather than undertaking primary processing (i.e., from fresh tomatoes to paste). With regard to fruit juice beverages, Kagome plans to manufacture retail size (350 ml) "fruit juice added" drinks of both carbonated and non-carbonated types.

--Canadian potato production in 1988 declined 8 percent from 1987, according to the first production estimate of Statistics Canada. Reduced area and lower yields, reflecting drought conditions in most growing areas, are the main causes of the decrease in production. Only Prince Edward Island (P.E.I.), Canada's premier potato producing province, and Nova Scotia, registered production increases over the 1987 level. Excluding P.E.I., the average per acre yield in 1988 fell 13 percent from the year-earlier level.

CANADA POTATO AREA, YIELD, AND PRODUCTION

Region	Area Harvested (Hectares)		Yield per Acre (m. tons)		Total Production (1,000 m. tons)	
	1987 (rev)	1988	1987 (rev)	1988	1987 (rev)	1988
Newfoundland	243	243	5.58	5.22	3.4	3.1
P.E.I	26,710	26,912	10.98	13.06	724.5	868.7
Nova Scotia	1,700	1,659	9.53	10.43	40.0	42.8
New Brunswick	20,032	18,980	13.38	11.34	662.4	531.8
Quebec	18,009	17,685	9.21	8.71	410.0	380.0
Ontario	14,609	13,395	8.94	7.03	322.5	232.7
Manitoba	18,211	16,997	9.48	7.94	426.4	333.4
Saskatchewan	1,497	1,457	9.30	7.98	34.4	28.8
Alberta	9,551	9,551	12.70	11.79	299.7	278.5
British Columbia	3,440	3,157	12.88	10.89	109.5	84.9
Canada Total	114,002	110,036	10.75	10.25	3,032.8	2,784.8

SOURCE: Statistics Canada

Recent cold waves coupled with windstorms in the first week of December, damaged vegetable crops in Spain's Ebro Delta. Artichokes were the worst hit, with losses of about 6,000 metric tons, worth an estimated 500 million pesetas (about \$6 million). Lettuce being grown for export, particularly iceberg, was also damaged, though to a lesser extent. It is believed the iceberg lettuce crop will recover, however, Romaine lettuce grown for the domestic market suffered greater loss. The cabbage crop also was damaged.

Wine, Beer, and Hops

--EC production subsidies for hops harvested in 1987 were announced in September 1988. The amount of aid granted to the producers included 350 ECU's (387 dollars) per hectare for aromatic varieties and 370 ECU's (409 dollars) per hectare for bitter and other varieties.

The 1988/89 citrus crop in the Mediterranean region is forecast to increase nearly 7 percent above a year earlier. The larger production largely is attributed to improved harvest results projected for Italy, Greece and Turkey. Although production of all major citrus types will be up this season, oranges will account for approximately 80 percent of the overall increase. Total export movement for the region during the 1988/89 marketing season will be nearly identical to a year earlier. A reduction in Spanish shipments will be offset by modest increases for other suppliers. Mediterranean exports of grapefruit and lemons will be up in 1988/89 while orange exports will decline. Utilization of this year's citrus crop by Mediterranean processors will rise sharply in response to a near doubling of the volume of oranges used to make juice by plants in Italy and Greece. The Israeli citrus processing industry will absorb a significantly larger quantity of grapefruit in 1988/89 while the production of lemon products in the region also will be increased.

Spain is the world's largest exporter of fresh citrus. More than half of the citrus harvest normally is marketed for export with less than 10 percent utilized by the processing industry. The 1988/89 crop is forecast to fall markedly from last year's record output, although efforts to maintain export programs are expected to support shipping volumes close to year earlier levels.

Spain joined the European Community in January 1986. The Spanish citrus industry had hoped that it would receive immediately the full economic benefits enjoyed by the citrus industries of other EC member states. This did not occur as the terms of accession called for a phase-in period over 10 years. In the long-term, EC membership will provide a significant boost to Spain's exports given that its dominant customer base is within the EC. At the present time, however, the Spanish industry is concerned that its trade relationship with the EC is disadvantageous in relation to third-country Mediterranean suppliers, while at the same time EC economic benefits available to Spain are not equal to other EC members.

As of January 1, 1989, the EC import duty on Spanish citrus will be reduced to 60 percent of pre-accession levels. In January 1991, EC duties on Spanish citrus will be reduced to 20 percent of pre-entry levels and will be eliminated completely in January 1996. Spanish citrus exports to the EC, particularly lemons, were hit routinely last season by countervailing duties. These duties are assessed whenever the entry price falls below designated reference price levels set by the EC. The EC is eliminating its export subsidies (penetration premiums) on shipments made within the EC. As compensation, the EC has adjusted citrus reference prices upward which in turn tends to trigger countervailing duties for both Spanish and third country citrus imports into the EC.

Spain is attempting to expand its citrus exports outside of the EC market. A Spanish citrus industry team recently visited Singapore, Hong Kong, Taiwan, and Japan to explore marketing opportunities. In August, Japan agreed to remove its prohibition against Spanish lemons if cold-treated for 16 days at 2 degrees centigrade prior to shipment in Spain. Reportedly, the Spanish team is attempting to convince the Japanese to modify the agreement by allowing in-transit treatment. During the first four years of membership, Spanish citrus is not eligible to receive EC export subsidies.

At present, Spain's processing sector absorbs only a modest portion of total production. Industry expansion is likely once Spanish plants begin to reap the full rewards of EC membership. During the 1988/89 season, EC processing subsidies available to Spain will be limited to 47,600 tons of oranges--7,600 tons of blood varieties and 40,000 tons of other varieties--and 26,000 tons of lemons. Reportedly, most of the last year's lemon quota was unused by processors since heavy supplies resulted in price quotes significantly below the minimum price set by the EC for processors to pay in order to obtain EC processing aid. All quota restrictions on Spanish fruit eligible to receive EC processing subsidies will be eliminated beginning with the 1990/91 season.

Israel's citrus industry was damaged severely by a record heat wave last May when trees were in the fruit-setting stage. Although the 1988/89 citrus crop will be modestly larger than the poor harvest of a year earlier, production, export, and processing levels will fall 20-30 percent below 1986/87.

More than two-thirds of all Israeli fresh citrus exports are taken by the 12 countries that make up the European Community with nearly all of the balance shipped to Scandinavia. Israeli orange exports face strong competition from the high-quality fruit offered by Spain and Morocco. Israeli grapefruit exports consist largely of white fleshed fruit. Since the export price for white grapefruit is less than half the level for pink fruit, the industry is planting only colored varieties such as Sunrise (Star Ruby) and Red Blush (Ruby Red). Grapefruit sales last season suffered from a poison scare in Italy which necessitated the diversion of fruit to the processing industry. Israel's efforts to promote its fruit in the attractive Asian markets have met with only limited success due in large part to strict phytosanitary regulations and transportation problems.

The financial health of the industry is under strain reflecting the reduced profitability of citrus as an export commodity. During the decade of the 1980's, total citrus area declined more than 10 percent. The neglect of groves that has been visible over the past 4-5 years has become more noticeable among less successful farmers. Israeli citrus producers are requesting financial assistance from the Government and a reorganization of the industry. The Ministry of Finance is considering the creation of a \$15 million stabilization fund for the industry.

Many within the industry feel that given the increasing competition in export markets for fresh citrus, Israel must expand the volume of fruit utilized by processors for the production of juice. This would take advantage of high world juice prices while allowing plants to operate more efficiently. At present, Israeli juice plants are operating on average at only 50 percent of their installed capacity. A number of processors have developed plans and offered financing aid to investors willing to plant groves for the production of citrus which would be directed exclusively for processing. Citrus going directly from field to processing facility offers substantial savings in growing and harvesting costs. However, the quantity of fruit being marketed in this manner continues to be limited by Israeli law which assesses relatively large charges on such citrus as if it had been handled by packing houses. The legality of these charges is now being challenged in the Israeli judicial system. In recent discussions over the future of the citrus industry, the Ministry of Agriculture has insisted that processors provide growers that agree to produce exclusively for industry with long-term supply contracts as a form of grower income protection.

Morocco's citrus industry during the 1988/89 season is not expected to match the export and processing volumes generated by last year's record crop. Exports of oranges are projected to decline in line with this season's smaller supplies. Tangerine exports, consisting entirely of clementines, will fall short of expectations due to hot weather in late August which adversely affected fruit size. Recent completion of an expansion program carried out by FRUMAT, Morocco's processing monopoly, has placed the industry in a position to process more than 300,000 tons of fruit. While this level will not be achieved this year because of the smaller harvest, Morocco is set to play a more meaningful role in supplying orange juice to Europe. Operating at full capacity, Moroccan exports of concentrated orange juice will approach 30,000 tons at 65 degree brix.

Morocco is concerned that its fresh citrus exports will suffer as EC membership benefits to Spain are phased in. Nevertheless, Morocco's dependence on the EC as an outlet for its citrus sales has grown steadily in recent years with shipments to that market representing more than 70 percent of the total in 1987/88. Although Morocco did enjoy a successful sales season in the EC last year, shipments were halted for 40 days in November-December because of low prices which triggered EC countervailing duties. Exports to the EC in 1988/89 will benefit from an agreement with Spain which allows the transport of Moroccan citrus across Spanish territory beginning in November 1988. Access will be limited to 15,000 tons in 1988 and 30,000 tons in 1989. The agreement calls for gradual increases in the limit until total liberalization of transport is achieved. Moroccan efforts to diversify its sales base away from the EC have met with some success in Scandinavia which now accounts for approximately 50 percent of total non-EC sales. Export shipments to the Soviet Union, however, now have completely disappeared. Soviet purchases of Moroccan citrus exceeded 200,000 tons in the early 1980's but the barter terms offered no longer are viewed as attractive by exporters.

Morocco's citrus industry generally regards the export results of the 1987/88 marketing year as successful given that it was the first year's experience following the break-up of the state trading monopoly under the Office for Commerce and Exports (OCE). Roughly 70 percent of all export sales in 1987/88 were made by the Atlas Fruit Board, a group representing several large shippers, 15 percent by OCE, and the balance by individual exporters.

Italy's citrus processing industry in 1988/89 will regain its position as the largest within the Mediterranean region thanks to a significantly larger harvest. This year's crop is forecast to increase nearly 900,000 tons over last season's production which plummeted to the lowest level since the early 1970's due to a severe winter followed by a summer drought. Processors will double their production of orange juice in 1988/89 to about 35,000 tons at 65 degree brix in response to a strong market demand and heavier fruit supplies. The lemon situation, however, continues to be distressed by excess fruit which cannot be economically absorbed. Approximately 270,000 tons of lemons were withdrawn from the market during 1987/88 under EC intervention schemes with the bulk of this fruit being destroyed. A similar volume of Italian lemons are projected to enter the EC withdrawal program in the 1988/89 season. The EC has recently implemented a measure which will discourage the withdrawal of fruit in favor of utilization by processors.

ITALY: EC EXPORT AND PROCESSING SUBSIDIES, 1988/89 1/
(Dollars per Metric Ton) 2/

Fruit	: Penetration :	Export Subsidy :	Processing
	: Premium <u>3/</u> :	Eastern Europe : Other :	Subsidy <u>4/</u> Minimum Price <u>5/</u>
Oranges			
Oct-Dec 88	111-196	102-217	68-153 81-128 143-189
Jan-Sep 89	113-201	104-222	69-157 83-131 146-194
Mandarines			
Oct-Dec 88	165	92	92 --- ---
Jan-Sep 89	169	95	95 --- ---
Lemons			
Oct-Dec 88	---	191	127 149 249
Jan-Sep 89	---	196	131 152 255

1/ EC subsidy levels granted to Greek citrus, expressed in dollars, are approximately 20 percent less than the levels shown above. 2/ Converted to dollars at the rate of 1,278 lire per dollar. 3/ Paid on exports to EC countries. 4/ Paid to processors. 5/ Minimum price processors must pay for fruit in order to be eligible for the subsidy.

As shown in the above table, the EC provides significant subsidization to Italy's citrus industry. The EC sets its citrus subsidy levels in European Currency Units (ECU) with payment received by the Italian industry in lire after conversion by the appropriate green rate. For the 1988/89 season, all EC citrus subsidy rates in ECU terms were unchanged from year earlier levels. The EC decided to change the Italian green rate for the 1988/89 season effective January 1, 1989. Because of this, the Italian industry will receive all new season subsidy payments in lire through December 31, 1988, at 1987/88 levels. With the application of the new Italian green rate on January 1, 1989, subsidy payment levels in lire will rise 2.4 percent over last season. In terms of dollars, EC subsidy levels provided to the Italian citrus industry through the end of calendar 1988 are 4.5 percent below last season while subsidy levels beginning January 1st will be 2.2 percent below 1987/88.

Italian exports of lemons during marketing year 1987/88 rose despite the sharp drop in production largely in response to the success of selling to Eastern European countries. A 40-percent increase to \$200 per ton in the EC export subsidy on such shipments played a large role in making these sales possible. With this season's relatively generous EC export subsidy and a reduced availability in the Mediterranean region, Italian lemon exports in 1988/89 should increase somewhat further. The EC export subsidy for Italian lemons shipped to other EC member states (penetration premium) was eliminated last season. The EC's penetration premium for mandarins and oranges is scheduled to be eliminated in 1993/94. As compensation for the removal of the export subsidy on shipments within the EC, reference price levels are maintained at high levels. This raises the likelihood that countervailing duties will be imposed on EC imports of citrus from third country suppliers. Reference prices for lemons entering the United Kingdom, France, and Germany during January 1989, converted from local currencies using mid-December 1988 exchange rates, are set at \$582, \$602, and \$639 per ton, respectively.

In recent years, the volume of citrus which has been removed from the market by entering into the EC's intervention mechanism has grown significantly. This has prompted the EC to pass a regulation which will limit the amount of fruit entering into the withdrawal program. In 1988/89 the amount of citrus which can be withdrawn from the market is limited to 15 percent of the average domestic fresh consumption during the last 5 years. The limit will be reduced to 13.5 percent for 1989/90, to 12 percent in 1990/91 and to 10 percent in 1991/92. If the limit is exceeded by more than 20,000 tons for oranges or by 6,600 tons for lemons, the price paid for withdrawn fruit will be reduced during the following marketing year. This measure is expected to encourage an increased volume of fruit for processing.

Greek citrus production in 1988/89 is expected to experience a significant recovery from the freeze damage of a year earlier. The improved harvest will allow export and processing volumes to return to more normal levels. Greek imports of fresh citrus jumped to more than 60,000 tons in 1987/88 because of last year's short crop. Imports consisted mostly of oranges and lemons, with Israel and Spain supplying most of the fruit. Imports in the current season are forecast to fall to about 20,000 tons.

Approximately 75-80 percent of all Greek exports of fresh citrus are destined for the Soviet Union and East European markets. Overall fruit quality is low in comparison to fruit produced by other Mediterranean countries. The Greek industry is restructuring its production away from Washington navels in favor of Valencias and the tangerine-type fruit favored by West European consumers. Greek exports during the current season will benefit from the dissolution of AGREX, the state controlled trading agency which in recent years was the only authorized export body. Greek agricultural cooperatives have expressed their opposition to the Government's decision to turn the marketing of fresh fruit over to the private trade. However, efforts by Greek cooperatives to become more active in handling the export business for this past summer's non-citrus fruit proved unsuccessful which should permit the private sector to take full charge of this season's citrus crop.

Greek citrus exporters, processors, and growers enjoy the same subsidies granted by the EC to the Italian citrus industry. As is true for Italy, EC subsidy levels for 1988/89, expressed in ECU's, are unchanged from last season. Conversion from ECU's to the Greek drachma using this season's green rate, however, results in a 16 percent increase in this year's EC subsidy levels for the Greek citrus industry. EC subsidies to the Greek industry in 1988/89, expressed in dollars, will rise slightly less than 6 percent and are set at approximately 80 percent of the dollar figures shown in the above table for Italy.

Egyptian export volumes of fresh citrus are being pinched by a rapidly growing internal fruit demand. During the fall and winter months, oranges and tangerines are just about the only fruit available to Egyptian consumers. Future expansion in Egypt's citrus production is not likely to permit any significant increase in exports or encourage the development of a citrus processing industry. Exports consist mostly of low-quality navel oranges which are sold to the Soviet Union and in East European markets. Purchases by the Soviet Union, Egypt's largest customer, fall under a long-term barter trade agreement which expires in 1991. Greater involvement of the private sector in export sales will be beneficial in maintaining sales levels to Saudi Arabia which is the normal sales outlet for Egypt's highest grade oranges.

Cypriot citrus exports during 1988/89 will rise slightly in line with an improved crop. Approximately three-fourths of total shipments are destined for the EC with an emphasis placed on sales in the U.K. The amount of fruit utilized by juice plants in Cyprus is minor. Growth of the processing sector is tied to expansion of fruit production which is hampered by tight water supplies for irrigation. The completion of a processing plant in 1989 in the northern zone of the island will double juice processing capacity to roughly 4,000 tons of concentrate.

Turkish citrus production in 1988/89 is projected at a record 1.4 million tons, 12 percent above last season due to favorable growing conditions throughout main growing areas. Exports and processing volumes, however, will show only modest increases over year earlier levels as domestic fresh consumption rebounds from last year's depressed level. Export sales will be directed either to the cash markets of the Arab Middle East or to the Soviet Union and East European countries under trade agreements or as repayment for industrial projects financed in Turkey. Turkey's export subsidy ranged from 2 percent to 6 percent of export value during the 1987/88 season, but is scheduled to be eliminated January 1, 1989.

FRESH CITRUS: PRODUCTION, EXPORTS, AND PROCESSING IN SELECTED COUNTRIES, 1986/87 TO 1988/89 1/
(1,000 METRIC TONS)

TABLE 1: TOTAL CITRUS	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
	FORECAST:			FORECAST:			FORECAST:		
COUNTRY	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	374	286	327	243	199	225	80	48	61
Egypt.....	1,505	1,663	1,652	155	214	150	13	14	16
Gaza.....	180	105	147	172	99	141	—	—	—
Greece.....	1,127	608	1,006	256	175	277	176	93	182
Israel.....	1,447	1,125	1,186	549	467	478	844	567	613
Italy.....	3,817	2,447	3,326	242	199	258	786	529	840
Morocco.....	971	1,253	1,239	455	581	561	48	254	240
Spain.....	3,870	4,543	3,886	2,196	2,373	2,223	404	340	318
Turkey.....	1,336	1,232	1,384	246	226	235	135	125	140
Subtotal.....	14,627	13,262	14,153	4,514	4,533	4,548	2,486	1,970	2,410
OTHER NORTHERN HEMISPHERE									
Cuba.....	839	904	940	438	450	473	155	165	185
Japan.....	2,884	3,298	2,801	21	23	23	717	866	617
Mexico.....	2,514	2,879	3,193	55	63	60	501	605	689
United States 2/.....	10,859	11,468	12,193	913	955	1,041	7,211	7,639	8,146
Subtotal.....	17,096	18,549	19,127	1,427	1,491	1,597	8,584	9,275	9,637
Total Northern Hemisphere...	31,723	31,811	33,280	5,941	6,024	6,145	11,070	11,245	12,047
SOUTHERN HEMISPHERE									
Argentina.....	1,490	1,320	—	146	144	—	588	488	—
Australia.....	569	665	—	51	77	—	316	358	—
Brazil.....	11,813	11,620	—	93	130	—	7,626	7,587	—
Chile.....	139	148	—	2	3	—	—	—	—
South Africa 3/.....	812	800	—	450	455	—	242	220	—
Uruguay.....	170	205	—	57	70	—	5	7	—
Total Southern Hemisphere...	14,993	14,758	—	799	879	—	8,777	8,660	—
GRAND TOTAL.....	46,716	46,569	33,280	6,740	6,903	6,145	19,847	19,905	12,047

—Indicates zero, negligible, or not available.

SOURCE: Crop Reporting Board and U.S. Department of Commerce, Bureau of Census for United States. Reports from U.S. Agricultural Counselors and Attaches or USDA estimates for all other countries.

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Horticultural and Tropical Products Division, FAS/USDA
Foreign Production Estimates Division, FAS/USD

FRESH CITRUS: PRODUCTION, EXPORTS, AND PROCESSING IN SELECTED COUNTRIES, 1986/87 TO 1988/89 4/
(1,000 METRIC TONS)

TABLE 2: SWEET ORANGES	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
	: FORECAST:			: FORECAST:			: FORECAST:		
COUNTRY	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	204	138	167	127	97	113	44	20	31
Egypt.....	1,235	1,387	1,390	155	214	150	8	8	10
Gaza 5/.....	151	83	125	147	80	122	—	—	—
Greece.....	881	462	791	202	168	230	148	79	150
Israel.....	815	627	629	353	300	295	484	297	309
Italy.....	2,424	1,415	2,020	151	104	150	575	320	600
Morocco 6/.....	650	913	830	307	440	385	46	227	200
Spain.....	2,059	2,442	2,164	1,021	1,179	1,070	140	118	105
Turkey.....	750	700	750	54	67	60	75	70	75
Subtotal.....	9,169	8,167	8,866	2,517	2,649	2,575	1,520	1,139	1,480
OTHER NORTHERN HEMISPHERE									
Cuba.....	500	520	540	260	265	275	110	115	125
Japan.....	62	67	61	—	—	—	2	2	2
Mexico.....	1,683	1,942	2,268	11	9	10	343	400	500
United States 7/.....	7,122	7,817	8,503	397	335	400	5,201	5,836	6,320
Subtotal.....	9,367	10,346	11,372	668	609	685	5,656	6,353	6,947
Total Northern Hemisphere...	18,536	18,513	20,238	3,185	3,258	3,260	7,176	7,492	8,427
SOUTHERN HEMISPHERE									
Argentina.....	630	600	—	62	65	—	195	165	—
Australia.....	470	546	—	41	62	—	274	309	—
Brazil.....	10,895	10,690	—	85	122	—	7,548	7,507	—
Chile.....	75	80	—	—	—	—	—	—	—
South Africa 6/ 8/.....	625	625	—	350	360	—	172	160	—
Uruguay.....	80	100	—	33	40	—	5	7	—
Total Southern Hemisphere...	12,775	12,641	—	571	649	—	8,194	8,148	—
GRAND TOTAL.....	31,311	31,154	20,238	3,756	3,907	3,260	15,370	15,640	8,427

TABLE 3: TANGERINES	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
	: FORECAST:			: FORECAST:			: FORECAST:		
COUNTRY	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	5	6	5	2	2	2	—	—	—
Egypt.....	117	134	120	—	—	—	3	4	4
Gaza 5/.....	—	—	—	—	—	—	—	—	—
Greece.....	68	49	66	1	1	2	1	1	2
Israel.....	158	124	137	40	34	32	68	50	60
Italy.....	531	336	510	13	9	12	20	16	20
Morocco 9/.....	290	300	362	147	136	170	—	22	35
Spain.....	1,164	1,307	1,077	791	773	780	187	140	125
Turkey.....	300	280	320	62	53	60	30	28	32
Subtotal.....	2,633	2,536	2,597	1,056	1,008	1,058	309	261	278
OTHER NORTHERN HEMISPHERE									
Cuba.....	30	25	30	7	5	8	—	—	—
Japan 10/.....	2,542	2,941	2,483	21	23	23	672	830	585
Mexico.....	131	151	157	8	9	10	10	15	15
United States 11/.....	363	364	357	15	15	16	173	172	162
Subtotal.....	3,066	3,481	3,027	51	52	57	855	1,017	762
Total Northern Hemisphere...	5,699	6,017	5,624	1,107	1,060	1,115	1,164	1,278	1,040
SOUTHERN HEMISPHERE									
Argentina.....	260	200	—	10	10	—	3	3	—
Australia.....	30	39	—	6	10	—	4	5	—
Brazil 12/.....	479	470	—	6	6	—	—	—	—
Chile.....	—	—	—	—	—	—	—	—	—
South Africa 2/.....	—	—	—	—	—	—	—	—	—
Uruguay.....	45	50	—	7	9	—	—	—	—
Total Southern Hemisphere...	814	759	—	29	35	—	7	—	—
GRAND TOTAL.....	6,513	6,776	5,624	1,136	1,095	1,115	1,171	1,286	1,040

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Horticultural and Tropical Products Division, FAS/USDA
Foreign Production Estimates Division, FAS/USDA

FRESH CITRUS: PRODUCTION, EXPORTS, AND PROCESSING IN SELECTED COUNTRIES, 1986/87 TO 1988/89 4/
(1,000 METRIC TONS)

TABLE 4: LEMONS	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
COUNTRY	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	54	46	51	34	30	34	10	6	7
Egypt.....	1	2	2	—	—	—	—	—	—
Gaza.....	15	12	12	13	10	10	—	—	—
Greece.....	168	89	140	53	6	45	22	8	25
Israel.....	69	43	41	18	14	14	39	20	18
Italy.....	813	660	750	77	85	95	150	160	180
Morocco.....	20	20	21	1	1	1	—	2	2
Spain.....	613	760	608	374	410	360	65	70	75
Turkey.....	250	220	280	111	90	100	25	22	28
Subtotal.....	2,003	1,852	1,905	681	646	659	311	288	335
OTHER NORTHERN HEMISPHERE									
Cuba.....	—	—	—	—	—	—	—	—	—
Japan.....	1	2	1	—	—	—	—	—	—
Mexico.....	9	9	9	—	—	—	9	9	9
United States.....	986	712	783	151	139	142	561	296	362
Subtotal.....	996	723	793	151	139	142	570	305	371
Total Northern Hemisphere...	2,999	2,575	2,698	832	785	801	881	593	706
SOUTHERN HEMISPHERE									
Argentina.....	440	370	—	40	35	—	300	240	—
Australia 13/.....	39	47	—	3	3	—	20	24	—
Brazil 14/.....	16	16	—	—	—	—	16	16	—
Chile.....	64	68	—	2	3	—	—	—	—
South Africa.....	66	60	—	26	25	—	31	25	—
Uruguay.....	40	48	—	15	18	—	—	—	—
Total Southern Hemisphere...	665	609	—	86	84	—	367	305	—
GRAND TOTAL.....	3,664	3,184	2,698	918	869	801	1,248	898	706

TABLE 5: GRAPEFRUIT	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
COUNTRY	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	111	96	104	80	70	76	26	22	23
Egypt.....	2	2	2	—	—	—	—	—	—
Gaza.....	14	10	10	12	9	9	—	—	—
Greece.....	6	5	6	—	—	—	3	3	3
Israel.....	392	317	364	132	114	129	249	193	221
Italy.....	8	3	6	1	1	1	—	—	—
Morocco.....	4	4	4	—	—	—	2	2	2
Spain.....	18	18	22	6	7	9	2	2	3
Turkey.....	30	27	30	19	16	15	3	3	3
Subtotal.....	585	482	548	250	217	239	285	225	255
OTHER NORTHERN HEMISPHERE									
Cuba.....	250	284	300	155	160	170	45	50	60
Japan.....	—	—	—	—	—	—	—	—	—
Mexico.....	91	105	79	8	15	10	39	51	35
United States.....	2,330	2,523	2,502	347	462	480	1,252	1,317	1,290
Subtotal.....	2,671	2,912	2,881	510	637	660	1,336	1,418	1,385
Total Northern Hemisphere...	3,256	3,394	3,429	760	854	899	1,621	1,643	1,640
SOUTHERN HEMISPHERE									
Argentina.....	160	150	—	34	34	—	90	80	—
Australia.....	30	33	—	1	2	—	18	20	—
Brazil.....	27	29	—	—	—	—	22	24	—
Chile.....	—	—	—	—	—	—	—	—	—
South Africa 8/.....	121	115	—	74	70	—	39	35	—
Uruguay.....	5	7	—	2	3	—	—	—	—
Total Southern Hemisphere...	343	334	—	111	109	—	169	159	—
GRAND TOTAL.....	3,599	3,728	3,429	871	963	899	1,790	1,802	1,640

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Horticultural and Tropical Products Division, FAS/USDA
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FRESH CITRUS: PRODUCTION, EXPORTS, AND PROCESSING IN SELECTED COUNTRIES, 1986/87 TO 1988/89 4/
(1,000 METRIC TONS)

TABLE 6: OTHER CITRUS 4/ COUNTRY	PRODUCTION			EXPORTS OF FRESH FRUIT			FRUIT PROCESSED		
	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89	1986/87	1987/88	1988/89
NORTHERN HEMISPHERE									
MEDITERRANEAN BASIN									
Cyprus.....	---	---	---	---	---	---	---	---	---
Egypt 15/.....	150	138	138	---	---	---	2	2	2
Gaza.....	---	---	---	---	---	---	---	---	---
Greece 16/.....	4	3	3	---	---	---	2	2	2
Israel.....	13	14	15	6	5	8	4	7	5
Italy 17/.....	41	33	40	---	---	---	41	33	40
Morocco.....	7	16	22	---	4	5	---	1	1
Spain 18/.....	16	16	15	4	4	4	10	10	10
Turkey 18/.....	6	5	4	---	---	---	2	2	2
Subtotal.....	237	225	237	10	13	17	61	57	62
OTHER NORTHERN HEMISPHERE									
Cuba 15/.....	59	75	70	16	20	20	---	---	---
Japan 19/.....	279	288	256	---	---	---	43	34	30
Mexico 20/.....	600	672	680	28	30	30	100	130	130
United States 20/.....	58	52	48	3	4	3	24	18	12
Subtotal.....	996	1,087	1,054	47	54	53	167	182	172
Total Northern Hemisphere...	1,233	1,312	1,291	57	67	70	228	239	234
SOUTHERN HEMISPHERE									
Argentina.....	---	---	---	---	---	---	---	---	---
Australia.....	---	---	---	---	---	---	---	---	---
Brazil 21/.....	396	415	---	2	2	---	40	40	---
Chile.....	---	---	---	---	---	---	---	---	---
South Africa.....	---	---	---	---	---	---	---	---	---
Uruguay.....	---	---	---	---	---	---	---	---	---
Total Southern Hemisphere...	396	415	---	2	2	---	40	40	---
GRAND TOTAL.....	1,629	1,727	1,291	59	69	70	268	279	234

--Indicates zero, negligible, or not available.

1/ Crop year refers to harvest and marketing period which usually begins in the fall and extends through the spring. This corresponds roughly to October-June in the Northern Hemisphere and April-December in the Southern Hemisphere. For the Southern Hemisphere, harvest occurs entirely during the second year shown. 2/ Exports do not include the category "Other Citrus" which consists of bergamots, kumquats, and other non-identified varieties. 3/ Includes Swaziland. 4/ The crop year refers to harvest and marketing period. For oranges, tangerines, grapefruit, and limes this usually begins in the fall and extends through the spring. This corresponds roughly to October-June in the Northern Hemisphere and April-December in the Southern Hemisphere. For the Southern Hemisphere, harvest occurs entirely during the second year shown. For lemons, the harvest and marketing period usually begins in late summer and extends through the spring. This corresponds roughly to August-June in the Northern Hemisphere and February-December in the Southern Hemisphere. 5/ Tangerine production is small and is included with oranges. 6/ Includes small quantity of tangerines. 7/ Includes temples. 8/ Includes some fruit produced in Swaziland, Botswana, and Mozambique which is marketed through the South African Citrus Board. 9/ Clementines only. 10/ Mainly satsumas (also called mandarin or unshu mikan), but also including mandarin hybrids. 11/ Includes tangelos, which accounts for about half of combined tangerine and tangelo production. 12/ State of Sao Paulo only, which apparently accounts for over one-half of Brazil's production. About 120,000 tons of tangerines which are processed are included in the orange table. 3/ Includes small amount of limes. 14/ State of Sao Paulo only. 15/ Mostly limes but some sour oranges and other varieties. 16/ Citrons and sour oranges. 17/ Mostly bergamots. 18/ Sour oranges. 19/ Summer oranges (natsu mikan or natsu daidai, a hybrid of mandarin with sour orange or pomelo). 20/ Limes 21/ Limes, State of Sao Paulo only, which apparently accounts for roughly 80 percent of Brazil's lime production. Small amount of lemon is included with Brazilian limes.

SOURCE: Crop Reporting Board and U.S. Department of Commerce, Bureau of Census for United States. Reports from U.S. Agricultural Counselors and Attaches or USDA estimates for all other countries.

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MEXICO WINTER FRESH VEGETABLE SITUATION

Introduction

Mexico is the most important foreign supplier of fresh produce to the United States. The United States receives from Mexico well over half its imports of many vegetables and melons including asparagus, fresh green beans, cucumbers, eggplant, garlic, lettuce, onions, peppers, squash, cantaloupes, watermelons, and tomatoes. In fiscal year 1988 (October 1987 - September 1988) almost 1.4 million metric tons of fresh vegetables and melons were imported from Mexico at a value of \$506 million; tomatoes are most important, followed by onions, peppers, and cucumbers. Important producing regions in Mexico include the states of Tamaulipas, for onions, and Baja California Norte and Sonora, for asparagus. The principal state for winter vegetable production is Sinaloa, located in northwestern Mexico, about 600 miles south of Arizona.

Sinaloa Outlook

The coming import season for winter vegetables promises to be interesting. Sinaloa produces about half the total volume of fruits and vegetables exported from Mexico to the United States. Virtually all the mature green tomatoes, cucumbers, bell peppers, and eggplant exported from Mexico are grown there. Other important crops include vine ripe and cherry tomatoes, chili peppers, summer squash, green beans, sweet corn, watermelon, and cantaloupe. Cropland planted to vegetables for export for the 1988/89 season is estimated at about the same level as 1987/88, 56,600 hectares. The division of acreage among the various vegetable crops is forecast to be similar to last season.

AREA PLANTED TO VEGETABLES AND MELONS IN SINALOA, 1986/87 & 1987/88 (Hectares ^{1/})

Product	1986/87	1987/88
Tomato	20,699	19,564
Cucumber	7,583	7,976
Bell Pepper	6,608	6,178
Other peppers	2,777	2,546
Summer squash	3,700	4,858
Eggplant	738	981
Green beans	2,226	2,760
Sweet corn	510	637
Cantaloupe	2,533	6,120
Watermelon	2,031	2,862
Other melons & vegetables	1,695	2,133
Total	51,100	56,615

SOURCE: The Growers' Association of Sinaloa (CAADES).

^{1/} Does not include ejidos which account for about 10 percent of cropland planted to vegetables.

Reservoirs in Sinaloa are filled to 90 percent of capacity, providing enough irrigation water for all crops. In early 1988 levels had fallen to 21.3 percent of capacity and there was fear that a dry summer (the rainy season) would be disastrous for this season's winter vegetable crop.

Most fresh vegetables are shipped to Nogales, the main crossing point into the United States, by refrigerated trailer truck. There is still some use of piggy-back rail transport, but most shippers find the service slow and unreliable. They fall back on the pigs when trucks are in short-supply during the height of the season (January and February). The highway from Culiacan (the capitol of Sinaloa) to the border is now 4 lanes for more than half the 650 mile trip, easing one of the main transportation bottlenecks.

On the production side, beginning in 1989 the state of Sinaloa will not permit planting of tomatoes before the month of October. This will be done in an effort to control pinworm infestations. Until the mid-1980's pinworm was a late season problem, due mainly to abandoned fields where pinworm proliferates. Now, however, with the extended planting season and a more variable export price for tomatoes, fields are being abandoned season-long, providing excellent breeding ground for the pinworm.

Export licensing

An interesting development for this season is a change in Government of Mexico control of fresh fruit and vegetable exports. It appears that the Mexican export licensing requirement for fresh fruits and vegetables has been dropped. Previously, the National Union of Horticultural Producers (UNPH) was authorized by the Government of Mexico to issue export permits for horticultural products (most Mexican horticultural exports go to the United States). The export permits gave UNPH control over quantity and quality of exports, thereby assuring at least some market control.

The freeing up of export sales has the potential for altering the complexion of this season's winter vegetable market in the United States as more produce of more variable quality could enter. Before, UNPH was able to control somewhat the quantity of product going to the border at a certain time through a quality provision of the export license. Without the export permits, the possibility exists of many shipments of a particular product hitting the market all at once. It is not known at this time if the export licensing requirement will be renewed in the near future.

Exchange rate

The Mexican peso was sharply devalued during 1986 and 1987. These devaluations made Mexican exports cheaper and contributed to the competitive position of Mexican horticultural products in the U.S. market. However, the dollar-peso exchange rate has remained stable since December 1987. It is not clear if the new government of President Salinas will be able to continue holding the exchange rate (2,280 pesos to the dollar) at its current rate, or even if that is a desirable end. If the peso drops in value, Mexican exports will have a more competitive edge in the U.S. market.

U.S. IMPORTS OF MELONS AND FRESH VEGETABLES FROM MEXICO

Fiscal Years 1/ (Metric Tons)

Item	:	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
MELONS	:	204,397	184,610	132,996	201,032	167,775	245,261	206,196	222,097	264,951	261,082
Cantaloupes	:	86,156	75,412	61,803	79,209	70,175	99,504	88,371	115,548	98,468	104,784
Watermelon	:	117,810	94,798	56,552	106,467	85,286	125,879	95,727	81,043	132,455	116,480
Other Melons	:	431	14,400	14,641	15,356	12,314	19,878	22,098	25,506	34,028	39,818
	:										
FRESH VEGETABLES	:	717,112	712,311	598,912	640,199	752,789	946,497	882,292	927,418	1,056,479	1,090,240
Beans	:	12,386	11,743	7,275	6,877	8,727	9,653	9,930	12,885	11,162	11,170
Garlic	:	18,843	9,423	7,059	7,498	8,569	13,127	10,458	10,003	12,012	12,338
Onions	:	65,295	54,331	54,998	62,129	75,421	92,572	91,341	86,486	136,123	162,888
Asparagus	:	2,887	3,286	3,999	6,486	10,192	5,552	7,058	8,669	11,407	12,408
Cucumber	:	133,065	154,197	142,731	131,204	156,010	165,443	163,245	172,186	183,098	204,019
Eggplant	:	17,203	19,950	14,441	14,801	16,241	17,564	14,374	15,983	12,955	18,022
Peppers	:	62,671	79,051	53,229	73,958	62,080	91,264	97,183	94,763	101,371	117,968
Squash	:	43,334	42,326	34,641	44,161	50,995	57,546	51,338	55,276	66,939	59,300
Tomatoes	:	323,548	301,549	242,339	247,525	314,745	377,127	368,889	408,257	430,983	368,269
	:										
	:										
TOTAL	:	921,509	896,921	731,908	841,231	920,564	1,191,758	1,088,488	1,149,515	1,321,430	1,351,322

SOURCE: U.S. Department of Commerce, Bureau of Census

1/ (October - September)

U.S. IMPORTS OF MELONS AND FRESH VEGETABLES FROM MEXICO

Fiscal Years 1/ (\$1 Million)

Item	:	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
MELONS	:	36.1	35.7	33.8	41.3	39.0	44.3	42.2	44.6	63.5	60.7
Cantaloupes	:	21.7	20.0	19.2	25.6	24.6	27.9	24.1	29.3	30.9	30.7
Watermelon	:	14.3	11.3	9.5	11.6	12.5	12.3	13.6	9.2	20.3	20.7
Other Melons	:	0.1	4.4	5.1	4.1	1.9	4.1	4.5	6.1	12.3	9.3
	:										
FRESH VEGETABLES	:	313.4	310.3	413.5	388.4	417.2	395.2	439.6	575.9	411.2	445.5
Beans	:	8.9	9.4	5.2	8.3	6.4	10.4	7.3	18.5	8.0	9.1
Garlic	:	9.6	6.2	6.6	10.1	6.6	7.0	6.9	11.8	11.1	6.9
Onions	:	17.2	18.0	18.0	21.1	19.7	28.3	30.9	34.5	47.5	69.6
Asparagus	:	3.6	1.0	5.2	9.7	12.9	6.1	8.4	10.0	12.9	16.3
Cucumber	:	46.1	50.3	47.1	63.2	50.9	33.6	81.1	66.8	50.4	44.8
Eggplant	:	6.9	7.4	8.0	7.4	8.7	7.9	9.0	9.8	5.4	9.1
Peppers	:	37.4	54.9	50.9	61.7	43.7	78.4	85.9	63.1	41.7	52.7
Squash	:	18.9	15.3	19.8	24.4	26.8	22.3	21.4	20.3	34.5	31.1
Tomatoes	:	154.9	133.3	240.2	164.5	223.5	171.4	164.2	316.7	158.8	158.2
	:										
	:										
TOTAL	:	349.5	346.0	447.3	429.7	456.2	439.5	481.8	620.5	474.7	506.2

SOURCE: U.S. Department of Commerce, Bureau of Census

1/ (October - September)

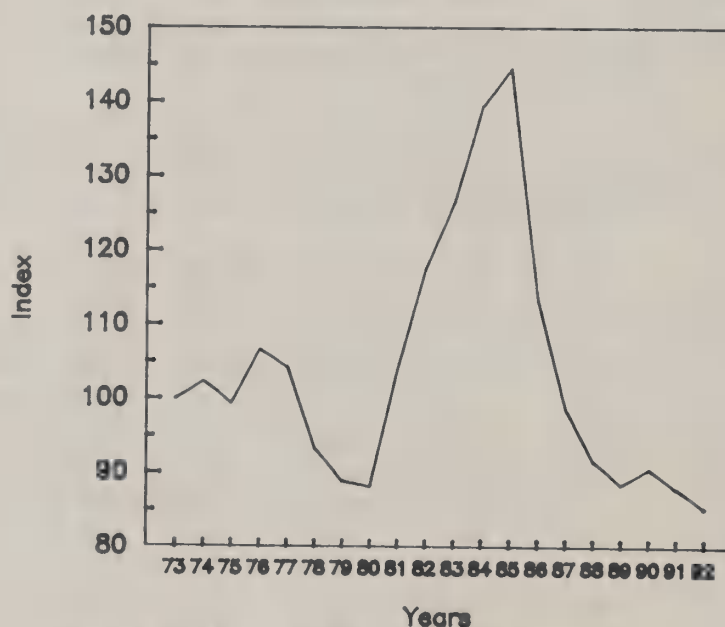
EXPORT OUTLOOK FOR HORTICULTURAL PRODUCTS

General Developments and Outlook

Value of horticultural exports to offshore markets exceeded \$3 billion in fiscal year 1988 (October 1987–September 1988) ^{1/}. A new record level of exports of \$3.2 billion is expected in 1989. Factors having a positive effect on horticultural exports during the last 2 years are expected to influence exports in 1989 as well. However, the rate of growth in export value for horticultural products during 1989 is likely to fall significantly below the pace set in the 2 prior years.

Sharp decline in the U.S. dollar value since the peak year of 1985 has been closely linked with the surge in the agricultural exports. The Federal Reserve Board is predicting stable or moderately declining value of the U.S. dollar against major foreign currencies, for the next 4 years. This may partly account for the slower rate of growth forecast for horticultural products exports during 1989. Barring a significant cutback in the world oil production and strict adherence to the production quotas by the oil producing and exporting countries, lower petroleum costs will continue to help the rate of growth in the value of the U.S. agricultural exports.

**INDEX OF U.S. EXCHANGE RATE 1/
1973–1988 and Forecast 1989–1992**
(1973=100)



1/ Countries included in this weighted rate are West Germany, Japan, France, U.K., Canada, Italy, Netherlands, Belgium, Sweden, and Switzerland.

SOURCE: Federal Reserve Board, 1988

1/ Offshore exports cover all exports except those to Canada. The exclusion of Canada, our single most important horticultural market, is due to inaccurate data stemming from undercounting of exports to that country. All statistics and forecasts in this article are on a fiscal year basis unless otherwise stated.

According to the Wharton Econometric Forecasting Associates (WEFA), annual growth rates for the global economy during the next 5 years are expected to average nearly 3 percent. Based on their projections centrally planned countries will experience a growth rate close to the global average. Developing countries, with a projected growth rate of 3.5 percent, are expected to outperform the economies of most developed countries. The Newly Industrialized Countries (NICs) which include South Korea, Hong Kong, Singapore, and Taiwan are expected to grow the fastest--6 percent--in 1989. Over the next 5 years, the NICs, also referred to as the 'Asian Tigers', are expected to average a growth rate of 4 percent. Growth for developed countries is expected to lag the global rate for the next few years. This indicates a good opportunity for expansion of U.S. horticultural exports in the 'Asian Tigers' and some other developing countries in Asia and Latin America.

The United States Department of Agriculture (USDA) administers the Targeted Export Assistance Program (TEA) to promote a wide variety of U.S. commodities in almost every region of the world. In 1988, \$110 million in commodities from the Commodity Credit Corporation were allocated to fund the program 1988. Approximately 57 percent of this amount was used for horticultural products, resulting in a number of success stories. For 1989, the initial total allocation of \$110 million has been raised to \$200 million, out of which over \$81 million are to be spent on horticultural products. The TEA program should continue to have a positive impact on exports of horticultural products.

Another factor that helped increase the rate of growth of horticultural products exports during 1988, and is expected to help in 1989 as well, is reduction of trade barriers in several countries. The Mexican Government announced a reduction of import tariffs and removal of import permit requirement for most horticultural products. They also eliminated the \$1 million global quota on imports of beer under the U.S.-Mexico Framework Agreement. South Korea agreed to increase its import quota of frozen concentrated orange juice from 6400 tons in CY 1987 to 9000 tons in CY 1989. Imports of frozen potatoes, avocados and vegetable juice into South Korea and fresh fruit into Philippines were liberalized by eliminating licensing restrictions.

South Korea, through the Korean Office of National Tax Administration (ONTA), also agreed to reduce tariff on wine from 100 percent to 70 percent ad valorem. Similarly, Thailand announced a reduction in import tariff on apples from 60 percent to 30 percent. As a result of the U.S.-Japan Citrus Agreement, there will be a gradual elimination of Japan's import quotas on fresh oranges and orange juice and a reduction in import duty on fresh Grapefruit and lemons. Import restrictions for almonds in India have also been liberalized. It is expected that economic growth in market countries, gains from liberalization, the continued low value of the dollar, and export promotion under the TEA program will boost U.S. exports of horticultural products to a new record in 1989.

Outlook by Commodity Group

Citrus: Offshore sales of fresh citrus during 1989 are forecast at a record \$500 million, nearly 11 percent above last year. The strong growth in export earnings is tied to a positive outlook for U.S. supplies of export grade fruit combined with a healthy import demand in key markets in Asia and Western Europe. U.S. citrus fruit enjoys worldwide recognition for its consistently high quality standards. During the upcoming year, U.S. offer prices, in local currency terms, to importers will be attractive while promotional activities, funded in large part by USDA's TEA program, are planned in strategic markets. Exports of oranges should benefit from a more helpful size distribution.

Exports of fresh oranges to offshore destinations during 1989 are projected at 300,000 tons compared to only 240,000 tons in 1988. This large jump largely represents a recovery from last season's depressed level which resulted from inadequate supplies of preferred size fruit. This winter's navel crop in California is expected to be the third largest on record. More important, as far as exports are concerned, this season's harvest will favor the smaller sizes. A year ago, more than half of California's navel crop consisted of large sized fruit--size 56 or larger. However smaller sized navels, preferred by importers in Hong Kong and Japan, were tight. In contrast, exports from the upcoming Valencia crop in California are not expected to be limited, as was true last year, by an overabundance of smaller sizes. Shipments to Japan will increase in response to the upward adjustment in the annual import quota. Offshore exports of grapefruit in 1988 were nothing less than spectacular, reaching 425,000 tons compared to 322,000 tons in 1987. Export growth in 1989 will not keep pace with last year, although total shipments should reach a record 440,000 tons. Exports through late November to Japan, the most important export outlet, were running about 100,000 cartons behind last year.

A key use of imported citrus is for parties and gift giving which has been adversely affected by the Emperor's failing health. Import demand, however, should be boosted when the duty is reduced from 25 percent to 15 percent on April 1, 1989, as part of the U.S.-Japan Citrus Agreement. Grapefruit sales to Western Europe are projected to exceed last year's level.

Approximately 90 percent of all offshore exports of lemons are sold in Japan. The United States supplies nearly all of Japan's lemon import requirements. The slight increase in forecast for Japanese purchases will result in a modest growth in U.S. lemon exports. Japan recently approved a plant quarantine treatment for Spanish lemons which ended the prohibition against imports of this fruit. However, the protocol calls for a 16 day cold treatment in Spain prior to shipment. The expense and time involved for the treatment and transportation from Spain to Japan should allow U.S. lemons to maintain their dominance in Japan.

Offshore exports of citrus juice jumped from \$82 million in 1987 to nearly \$127 million in 1988, thanks to an increased volume and stronger unit prices. Export earnings in 1989 will remain strong due to the improved access terms for orange juice called for in the U.S.-Japan Citrus Agreement and tight world juice supplies.

U.S. EXPORTS OF HORTICULTURAL PRODUCTS TO OFFSHORE DESTINATIONS 1/
Fiscal Years (Oct-Sept), Millions of Dollars

COMMODITY GROUP	FY84	FY85	FY86	FY87	FY88	FY89 2/
Fresh Citrus	317	329	377	415	452	500
Fresh Non-Citrus Fruit	201	185	204	287	332	366
Melons	7	9	11	11	14	15
Canned Fruit	52	46	51	52	64	68
Dried Fruit	144	149	178	212	242	260
Frozen Fruit	9	8	11	15	22	34
Citrus Juice	90	81	65	82	127	140
Non-Citrus Fruit Juice	33	34	31	39	56	70
Other Prepared Fruit	13	16	14	24	22	23
Fresh Vegetables	58	58	63	72	97	104
Canned Vegetables	95	86	94	102	132	110
Frozen Vegetables	91	86	106	130	163	170
Dehydrated Vegetables	65	57	57	65	74	70
Tree nuts	345	487	465	560	747	900
SUBTOTAL	1,520	1,631	1,728	2,067	2,544	2,825
Hops and Products	51	44	45	48	55	60
Nursery Products	36	36	43	42	53	65
Wine and Beer	39	51	51	86	118	145
Misc. Products	155	179	206	229	260	300
TOTAL	1,801	1,940	2,072	2,472	3,030	3,400

1/ Off shore refers to all countries except Canada. 2/ Forecast.

U.S. EXPORTS OF SELECTED HORTICULTURAL PRODUCTS TO OFFSHORE DESTINATIONS 1/
Fiscal Years (Oct-Sept) 1987-88 and Forecast 1989

COMMODITY	1987 ---1,000 Metric Tons---	1988	1989	1987 ---- \$ Million ----	1988	1989
Oranges	289	240	300	167	138	170
Grapefruit	322	425	440	148	208	220
Lemons	139	133	135	88	94	95
Apples	135	249	220	75	107	130
Raisins	82	91	94	119	137	150
Dried Prunes	50	56	58	76	90	93
Onions	23	62	70	6	16	19
Canned Corn	85	108	86	62	81	80
Frozen Corn	37	48	43	25	35	38
Frozen French Fries	91	115	120	66	77	87
Almonds, Shelled	67	143	150	286	446	525
Almonds, Prepared	24	36	38	131	128	152
Walnuts, Inshell	46	48	50	76	86	93
Wine (million liters)	27	49	61	43	71	88

1/ All destinations except Canada.

Fresh Non-Citrus Fruit: Increased market access will be the driving force behind the expansion of fresh deciduous fruit exports during 1989. However, supplies of apples below last seasons' record crop and higher prices will inhibit apple shippers' ability to capitalize on these opportunities.

The number one export market for U.S. apples will continue to be Taiwan, provided Taiwan does not take unwarranted action to impose import quotas on U.S. fruit. The Philippines offers a new opportunity for apple, pear, grape, and other fresh fruit exports following liberalization of the import regime for these products in April 1988. As a result apple exporters were able to move large quantities of controlled atmosphere fruit into the Philippines. Given the continuation of the current level of access, exports to the Philippines should exceed last season's shipments. It is anticipated that Thailand may reduce the tariff on apples below 30 percent, stimulating even larger quantities of imports. Poor crops and early opening dates for apples and pears in Sweden, Norway, and Finland will result in increased exports during 1989.

The major dark spot in the export outlook is the possibility that the European Community again will impose import quotas during February through August. In addition, U.S. exports must compete against low priced-apples from the EC, which receive an export subsidy in major markets. U.S. fruit exports also will face increased competition from Southern Hemisphere producers, led by Chile and New Zealand.

In light of these new opportunities, but also taking into account reduced supplies and increased competition, U.S. apple exports for 1989 are forecast at 220,000 metric tons, down approximately 12 percent from 1988. However, the total value of apple exports is forecast at \$130 million, a 21 percent increase over 1988. As a result of large 1988 crop supplies, table grape exports are expected to increase 36 percent to 60,000 tons, valued at \$73 million. Pear exports, also spurred by large stocks, are expected to increase to 25,000 tons.

U.S. offshore exports of kiwifruit in 1989 are forecast to reach about \$17 million, about the same as the level registered the previous year. U.S. kiwifruit exports to the EC, a major U.S. market fell 41 percent in 1988 because of increased competition from low-priced Italian kiwi. The competition is expected to continue in 1989, prompting further cuts in U.S. exports to the Community. Increased sales to Japan, Taiwan, Australia, and Hong Kong more than offset losses to the EC in 1988. Further increases in exports to the Far East are expected in 1989.

Avocado exports for 1989 are forecast to reach approximately \$27 million, up 59 percent from the previous year. Increased U.S. shipments, primarily to European markets, are attributed to this season's Israeli crop failure. Offshore papaya shipments for 1989 are forecast to total about \$9 million, up 7 percent from the previous year. Approximately 90 percent of offshore shipments go to Japan.

Canned Fruit: The value of canned fruit exports to offshore markets in 1989 is forecast at \$68 million, continuing the upward trend of the past few years, but increasing at a lower rate. Low carry-in stocks for both canned cling peaches and fruit cocktail have offset increases of 17 percent and 4 percent respectively, in each pack. Exports to the Pacific Rim Countries of Asia will account for the increased exports for 1989. U.S. exports are expected to rise in spite of continued subsidization of canned fruit by the European Community.

Dried Fruit: World raisin supplies for 1988/89 should remain relatively unchanged from a year ago. Poor harvests in several of the world's major Northern Hemisphere raisin/sultana producing countries during 1987/88 resulted in a drawdown on world stocks to their lowest level in years. Supplies of fruit in all major producing countries, except the United States, were largely exhausted. However, low stocks have been more than offset by abundant crops being harvested in Greece and Turkey in 1988/89. Both countries, Greece with various EC support measures and Turkey with very attractive prices, will focus their export sales programs towards the EC market. Thus, while the United States has adequate supplies, it will be difficult to maintain 1987/88 sales volume to Western Europe during 1988/89.

Increased shipments to Asia, could result in increased U.S. export sales from 91,000 tons to around 94,000 tons for 1988/89. U.S. sales to Japan, which rose more than 20 percent, to over 24,000 tons in 1987/88, should show a further increase in 1988/89. Exports to Singapore, Korea, and Taiwan should also increase, however, there will be increased competition for these markets from Southern Hemisphere suppliers, South Africa, and Australia, once their 1989 crops are harvested. Relatively modest increases in export sales could also occur in the Middle East, Latin America, and even Eastern Europe during 1988/89.

U.S. exports of dried prunes were up more than 10 percent between 1986/87 and 1987/88 to around 56,000 tons valued at \$90 million. Some further growth should occur during 1988/89. While U.S. dried prune supplies are plentiful, U.S. export prospects to France and other countries in Western Europe, which focus on prune size, are dimmed by the small size of the fruit currently available from the United States, and by the larger harvest expected in France, principal competitor for the U.S. in the European market. France is expecting a 40,000-ton harvest in 1988/89, up nearly 10,000 tons from the preceding year. On the other hand, U.S. exports to Western Europe may be helped by the rising popularity of prunes as a health food. As in the case of raisins, increased sales to Asia and, to a lesser extent the Middle East and Latin America, would seem to hold the best prospects for increased U.S. prune export sales during 1988/89. These countries are less concerned about prune size than price.

Vegetables: Fresh vegetables exports to offshore destinations increased 52 percent in volume and 36 percent in value in 1988 over 1989. Fresh vegetable exports are lead by asparagus, onions, lettuce, celery, and carrots. East Asia dominated the export market for fresh vegetables as over half of total sales of \$97.9 million went there. In 1988 asparagus exports to Japan, Italy, and the United Kingdom, increased dramatically. Over 70 percent of all asparagus was shipped to Japan. The Japanese' seemingly insatiable appetite for asparagus is being fed more and more by U.S. product (mostly from California). Asparagus export volume is forecast to increase to 10,000 tons at a value of \$29.5 million in 1989.

Over 50 percent of 1988 onion exports were destined for Japan. A less than average 1988 crop in Japan bodes well for 1989 exports from the Pacific Northwest. Overall onion exports are expected to increase 12 percent to 70,000 tons at a value of \$18.6 million. Lettuce, celery, and carrot exports are forecast to stay at 1988 levels or increase slightly. Total fresh vegetable exports will reach 174,000 tons at a value of \$104 million, a 6-percent increase over 1988.

The prospects for canned vegetable exports are mixed. The stellar performance of 1988 will not be repeated in 1989, due primarily to the effects of the drought. Canned corn accounts for well over 60 percent of canned vegetable exports. Production of sweet corn for canning is 17 percent less than the 1987 crop. Production of green peas and snap beans for canning is also down substantially. Cannerys are pro-rating contracts of both domestic and foreign buyers. Canned corn exports are destined primarily for Japan and East Asia, and the EC. Export volume is forecast to dip 20 percent to 86,000 tons, however, value should fall only slightly to \$80 million due to higher prices.

Production of vegetables for freezing was less severely affected by the drought. Although overall fall potato production was down in the United States, Idaho's harvest was the same as 1987 and quality was excellent. Most frozen potatoes come from Idaho, so the outlook for frozen french fry production and export is good this year. The biggest markets for frozen french fries are Japan and East Asia, taking 96 percent of all exports in 1988. Exports should increase 4 percent in volume to 120,000 tons and 15 percent in value to \$87 million. Frozen sweet corn production fell slightly due to this summer's drought. As a result, 1989 exports are expected to drop 10 percent to 43,000 tons. Export value will increase, however, to \$37.6 million as price reacts to the pinch in supply. Over 75 percent of frozen sweet corn exports are destined for Japan.

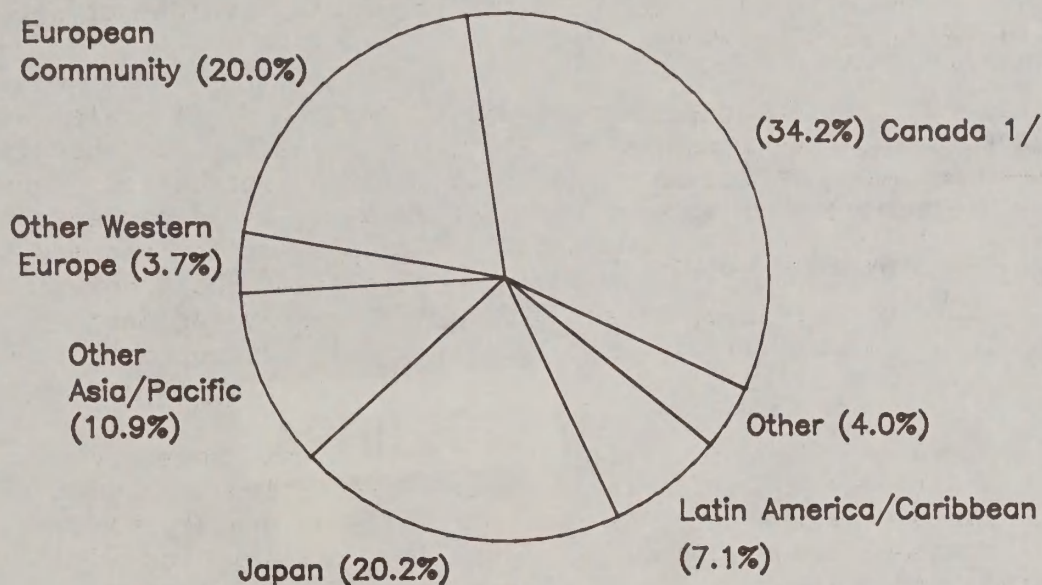
Tree Nuts: Tree nut exports in 1989 are expected to be 20 percent above the 1988 level, to a record \$901 million. This follows a 33-percent increase in export sales between 1987 and 1988. U.S. almond and walnut production returned to more normal levels in 1988/89 season, which should drive prices back up from the record supply induced lows of 1988. Total supplies in 1989 will still, however, be sufficient to meet increased export demands, as large stocks were carried over from 1988.

Exports for 1989 will be led by almond sales of 196,250 tons (shelled basis) which are expected to have a total value of \$714 million. The total value of almond exports is expected to increase at a faster rate than the volume of exports due to this return to more normal price levels. The U.S./India almond agreement reached in May 1988 should account for at least \$10 million in additional U.S. almond exports to India. If current trade patterns continue, the bulk of these shipments will be in-shell nuts. U.S. almond exports also will receive a boost from the implementation of the U.S./EC citrus agreement, which contains a provision to lower the duty from 7 to 2 percent on the first 45,000 tons, per year, of almonds imported by the EC.

Walnut exports should continue to grow as a result of promotional activities in West Germany, Japan, and Spain, financed by \$6.5 million in TEA funds. Higher prices should stimulate an increase in the value of exports to \$124 million. U.S. walnut exports will face increased competition from China, where another record crop has again increased supplies available for export.

EXPORTS OF HORTICULTURAL PRODUCTS

FISCAL YEAR 1988, BY REGION



1/ U.S. export data to Canada are not accurate. It is estimated that these exports are undercounted by about 50 percent. In an effort to better represent worldwide exports of horticultural products, exports to Canada were calculated by doubling the figures reported by the Bureau of Census.

SOURCE: Bureau of Census, Department of Commerce

Weekly Exchange Rates For Selected Foreign Currencies December 15, 1988

(Foreign Currency Units Per U.S. Dollar)

Currencies	12/15/88 Current Rate	11/15/88 Month Ago Rate	12/87 Year Ago Avg.	12/86 Two Year Ago Avg.
Canadian Dollar	1.2060	1.2340	1.3070	1.3793
ECU 1/	0.8374	0.8324	0.7915	0.9573
British Pound	0.5497	0.5531	0.5467	0.6941
French Franc	6.0010	5.9550	5.5323	6.5226
West German Mark	1.7565	1.7425	1.6416	1.9865
Japanese Yen	123.8800	123.3000	128.0900	162.1700
South Korean Won	684.0000	693.9000	795.8230	865.7860
New Taiwan Dollar	28.1500	28.0400	28.8600	36.0930
Singapore Dollar	1.9390	1.9520	2.0102	2.1888
Hong Kong Dollar	7.8080	7.8064	7.7671	7.7910

1/ European Currency Unit. A weighted basket of the currencies of the 12 EC member states.

Exchange rates are spot as of 3 p.m. Eastern Time, Dec. 15, 1988
Source: FAS/TEID Exchange Rate Database and The Wall Street Journal.

Note: The fewer foreign currency units required to purchase one U.S. dollar, the more competitive U.S. export products are in foreign markets.

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